

CMP: ₹ 646

Target: ₹ 755 (17%)

Target Period: 12 months

BUY

May 27, 2024

## Weak show; Growth recovery likely in FY25...

**About the stock:** Incorporated in 2008 by Prahladbhai Patel, PSP Projects (PSP) is one of the prominent contractors offering a diversified range of construction and allied services. Its focus remains on industrial, institutional, government, government residential and residential projects.

- Prudent management, strong execution track record, healthy order book, strong balance sheet and robust return ratios are the key strengths of PSP

**Q4 & FY24 Performance:** Standalone revenue during Q4FY24 witnessed a decline of ~10.8% YoY to ₹ 649 crore, given delay in ramp up of recent orders. EBITDA margin stood at 8%, down 267 bps YoY given the higher costs on projects in UP. At PAT level, weaker topline, margins and higher depreciation led to 67% YoY decline in PAT at ₹ 15.3 crore. For FY24, standalone revenue at ₹ 2462 crore, was up 27.8% YoY. EBITDA Margin at 10.6%, was down 105 bps YoY.

### Investment Rationale:

- Healthy Bid pipeline:** The order book stood at ₹ 6049 crore as of FY24, implying ~2.5x book to bill. Going ahead, the company expects order inflows of ₹ 3500 crore in FY25, driven by healthy bid pipeline of ₹ 5746 crore. It has guided for topline growth of 15% in FY25. Given the robust pipeline and inflow potential, we expect strong revenue CAGR of ~15% over FY24-26E to ₹ 3260 crore.
- Margins to remain at moderate range; lower interest to aid PAT growth:** The company expects the margins at 10-11%, going ahead vs. earlier indicated levels of 11-12% owing to higher overheads. We expect margins to remain stable at 11%/11.3% in FY25/FY26, respectively. Strong topline growth coupled with stable margins and lower interest expense is likely to drive 31% earnings CAGR over FY24-26E.
- Balance sheet to further deleverage ahead:** The company's total debt stood at ₹ 455 crore, down 23 crore QoQ. The company also repaid ₹ 188 crore of debt out of the QIP proceed (of 244 crore) in Q1FY25. Furthermore, there is a possibility of further debt reduction through receipt of outstanding receivables from Surat Diamond Bourse (₹ 170 crore) and Uttar Pradesh healthcare (₹ 80 crore) projects.

### Rating and Target Price

- Given the robust bid pipeline and executable order book, we expect PSP to recover on the growth path. Furthermore, receipt of SDB claims and UP receivables will boost balance sheet. We, thus, maintain BUY rating.
- We assign a target price of ₹ 755, thereby valuing it at 14x FY26 P/E

### Key Financial Summary

(₹ Crore)	FY21	FY22	FY23	FY24	5 Year CAGR (FY19-24)	FY25E	FY26E	2 Year CAGR (FY24-26E)
Net Sales	1,240.9	1,748.8	1,926.6	2,462.5	18.7	2,808.2	3,259.9	15.1
EBITDA	134.8	256.5	225.0	261.6	11.9	307.7	369.6	18.9
EBITDA Margin (%)	10.9	14.7	11.7	10.6		11.0	11.3	
Net Profit	80.8	162.4	133.0	123.9	6.5	170.5	213.3	31.2
EPS (₹)	22.4	45.1	36.9	34.4		43.0	53.8	
P/E (x)	28.8	14.3	17.5	18.8		15.0	12.0	
EV/EBITDA (x)	17.9	9.6	10.9	10.7		7.7	6.6	
RoCE (%)	22.2	35.5	24.8	19.4		18.4	20.3	
RoE (%)	16.2	26.6	17.9	14.5		15.7	15.8	

Source: Company, ICICI Direct Research



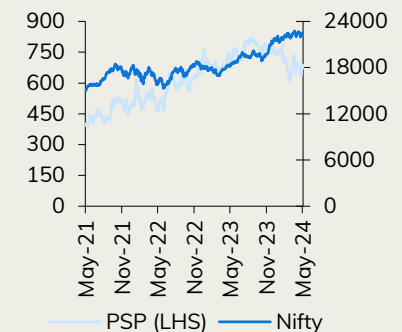
### Particulars

Particular	Amount
Market Cap (₹ crore)	2,559
Debt (FY24) (₹ crore)	455
Cash (FY24) (₹ crore)	225
EV (₹ crore)	2,789
52 week H/L (₹)	846 / 600
Equity capital (₹ crore)	39.6
Face value (₹)	10.0

### Shareholding pattern

	Sep-23	Dec-23	Mar-24	Apr-24
Promoters	66.2	66.2	66.2	60.1
DII	5.4	5.1	4.6	9.2
FII	4.2	3.3	2.3	6.6
Other	24.1	25.4	26.9	24.1

### Price Chart



### Key risks

- Lower than expected order inflows
- Heightened competitive intensity impacting margins

### Research Analyst

Bhupendra Tiwary, CFA  
bhupendra.tiwary@icicisecurities.com

Hammaad Ahmed Ulde  
hammaad.ulde@icicisecurities.com

## Q4 & FY24 Performance highlights and outlook

- **Revenue and Margin Guidance** – The company has guided for 15% YoY revenue growth in FY25 based on the current order book position (compared to the previous guidance of ~20% YoY to ₹ 3000 crore, earlier). The company also informed that any upwards revision in topline will be contingent on order inflow in H1FY25. Furthermore, the company has revised its margin guidance downwards from previous expected levels of 11-12% to 10-11% now, given the higher overhead costs ahead.
- **Bid pipeline:** The company indicated that current bid pipeline is ₹ 5746 crore. Major bid pipeline projects include - a commercial project in Delhi amounting to ₹ 2000 crore. AIMS Delhi project worth ₹445 crore, Tata institute project in Hyderabad worth ₹ 350 crore, building project in Bengaluru also worth ₹ 350 crore, the Sabarmati River infrastructure project in Ahmedabad, and industrial projects in Sanand and Dahej, each amounting to ₹ 300 crore.
- **Order Book and outlook:** The order book stood at ₹ 6049 crore as of FY24, implying 2.5x book to bill. During FY25, the company received orders worth ₹ 3498 crore, which was ahead of ₹ 3000 crore inflows guided, earlier. Going ahead, the company expects order inflows of ₹ 3500 crore in FY25, given the strong bid pipeline.
- **SDB Settlement** - The company has reached a settlement wherein Surat Diamond Bourse has agreed to pay PSP a total amount of ₹ 170 crore and above ₹ 1,790 crore already certified by them. With this settlement, the total approved and project value amounts to ₹1,960 crore. Till date, the company has recorded a revenue of ₹ 1,896 crore in the accounts and the remaining revenue (₹ 66 crore) will be recorded upon the receipt of the certificate from SDB. The company expects to receive 50% of the due payment within 30 days and the balance by FY25 end.
- **Debt position:** The company's total debt stood at ₹ 455 crore, down 23 crore QoQ. Net cash and equivalent stood at ₹ 225 crore. The company also repaid ₹ 188 crore of debt out of the QIP proceed in Q1FY25. Furthermore, there is a possibility of further debt reduction through receipt of outstanding receivables from Surat Diamond Bourse (₹ 170 crore) and Uttar Pradesh healthcare (₹ 80 crore) projects.
- **QIP raise** – The company has raised ₹ 244 crore via QIP in Q1FY24. The QIP raise will be utilized largely towards repayment of outstanding borrowings. repaid ₹ 188 crore of debt out of the QIP proceed in Q1FY25.

## Exhibit 1: Quarter Performance

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Total Operating Income	649.2	696.6	-6.8	727.4	-10.8
Consumption of raw materials	543.2	582.5	-6.7	611.9	-11.2
Employee benefit expenses	33.5	33.8	-0.6	25.7	30.6
Other Expenses	20.6	8.5	142.1	12.2	69.4
EBITDA	51.8	71.9	-27.9	77.7	-33.3
EBITDA Margin(%)	8.0	10.3	-233 bps	10.7	-269 bps
Other Income	6.0	6.5	-8.5	6.7	-10.2
Depreciation	19.9	18.7	6.5	12.4	61.1
Interest	14.0	15.3	-8.2	9.2	52.6
PBT	23.9	44.4	-46.3	62.8	-62.0
Taxes	8.6	11.5	-25.0	16.4	-47.7
PAT	15.3	32.9	-53.7	46.3	-67.1

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 2: Profit and loss statement				
₹ crore				
(Year-end March)	FY23	FY24E	FY25E	FY26E
<b>Net Sales</b>	<b>1,926.6</b>	<b>2,462.5</b>	<b>2,808.2</b>	<b>3,259.9</b>
Growth (%)	10.2	27.8	14.0	16.1
Raw Material Cost	577.3	766.4	813.7	955.5
Employee Cost	93.5	125.1	135.9	151.6
Other Expenditure	1,030.8	1,309.4	1,551.0	1,783.1
Total Operating Expend	1,701.6	2,200.9	2,500.5	2,890.2
<b>EBITDA</b>	<b>225.0</b>	<b>261.6</b>	<b>307.7</b>	<b>369.6</b>
Growth (%)	(12.3)	16.3	17.6	20.1
Other income	27.1	24.3	26.9	31.0
Depreciation	40.0	64.9	72.7	85.9
EBIT	212.1	221.0	261.9	314.7
Interest	32.0	50.8	31.8	26.8
PBT	180.1	170.2	230.1	287.9
Tax	47.1	46.3	59.6	74.6
<b>Rep. PAT</b>	<b>133.0</b>	<b>123.9</b>	<b>170.5</b>	<b>213.3</b>
Exceptional items	-	-	-	-
<b>Adj. Net Profit</b>	<b>133.0</b>	<b>123.9</b>	<b>170.5</b>	<b>213.3</b>
Growth (%)	(18.1)	(6.9)	37.6	25.1
<b>EPS (₹)</b>	<b>36.9</b>	<b>34.4</b>	<b>43.0</b>	<b>53.8</b>

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement				
₹ crore				
(₹ Crore)	FY23	FY24E	FY25E	FY26E
Profit after Tax	133.0	123.9	170.5	213.3
Depreciation	40.0	64.9	72.7	85.9
Interest	32.0	50.8	31.8	26.8
Others	(29.9)	(30.4)	(26.9)	(31.0)
Cash Flow before wc changes	175.1	209.2	248.1	295.1
Net Increase in CA	(407.4)	(258.4)	(129.2)	(298.6)
Net Increase in CL	329.2	(158.7)	264.7	120.3
<b>Net CF from op. activities</b>	<b>96.9</b>	<b>(207.9)</b>	<b>383.5</b>	<b>116.7</b>
Net purchase of Fixed Assets	(90.0)	(132.3)	(100.1)	(120.1)
Others	44.6	73.0	(20.2)	11.0
<b>Net CF from Inv.Activities</b>	<b>(45.4)</b>	<b>(59.2)</b>	<b>(120.3)</b>	<b>(109.1)</b>
Proceeds from share capital	9.1	26.9	217.1	-
Proceeds/Repayment from Loc	45.3	310.1	(207.0)	(50.1)
Interest paid	(32.0)	(50.8)	(31.8)	(26.8)
Others	(27.0)	(36.0)	(39.6)	(39.6)
<b>Net CF rom Fin. Activities</b>	<b>(4.5)</b>	<b>250.2</b>	<b>(61.4)</b>	<b>(116.5)</b>
<b>Net Cash flow</b>	<b>46.9</b>	<b>(17.0)</b>	<b>201.8</b>	<b>(108.9)</b>
Opening Cash & Cash Equiv.	195.2	242.1	225.1	426.9
<b>Closing Cash &amp; cash equiv.</b>	<b>242.1</b>	<b>225.1</b>	<b>426.9</b>	<b>318.0</b>

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet				
₹ crore				
(Year-end March)	FY23	FY24E	FY25E	FY26E
<b>Liabilities</b>				
Equity capital	36.0	36.0	39.6	39.6
Reserves & Surplus	763.8	878.6	1,223.0	1,396.7
Networth	799.8	914.6	1,262.6	1,436.3
Loan Funds	145.0	455.1	248.1	198.0
Deferred Tax liability	(12.2)	(18.3)	(18.3)	(18.3)
Other financial liabilities:	-	-	-	-
<b>Total Liabilities</b>	<b>932.6</b>	<b>1,351.4</b>	<b>1,492.4</b>	<b>1,616.0</b>
<b>Assets</b>				
Net Block	239.6	321.8	349.3	383.5
Capital WIP	17.7	2.9	2.9	2.9
Non-current Investments	205.8	156.2	205.5	226.0
Othe non-current assets	7.2	8.1	6.0	5.4
Loans	-	-	-	-
Inventories	151.6	316.0	360.4	418.4
Trade Receivables	434.2	335.1	382.1	443.6
Cash & Bank Balances	242.1	225.1	426.9	318.0
Loans & Advances	4.4	3.5	4.3	4.8
Other current assets	441.4	635.4	672.4	851.1
Total current assets	1,273.7	1,515.1	1,846.2	2,035.9
Total Current liabilities	811.4	652.7	917.4	1,037.6
Net Current Assets	462.3	862.4	928.8	998.2
<b>Total Assets</b>	<b>932.6</b>	<b>1,351.4</b>	<b>1,492.4</b>	<b>1,616.0</b>

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY23	FY24E	FY25E	FY26E
<b>Per share data (₹)</b>				
Reported EPS	36.9	34.4	43.0	53.8
Cash EPS	48.1	52.4	61.3	75.5
BV per share	222.2	254.1	318.5	362.3
Revenue per share	535.2	684.0	708.4	822.3
Cash Per Share	67.2	62.5	107.7	80.2
<b>Operating Ratios (%)</b>				
EBITDA Margin	11.7	10.6	11.0	11.3
EBIT/ Net Sales	9.6	8.0	8.4	8.7
PAT Margin	6.9	5.0	6.1	6.5
Inventory days	28.7	46.8	46.8	46.8
Debtor days	82.3	49.7	49.7	49.7
Creditor days	69.6	61.6	61.6	61.6
<b>Return Ratios (%)</b>				
RoE	17.9	14.5	15.7	15.8
RoCE	24.8	19.4	18.4	20.3
RoIC	27.5	17.5	22.1	21.9
<b>Valuation Ratios (x)</b>				
P/E	17.5	18.8	15.0	12.0
EV / EBITDA	10.9	10.7	7.7	6.6
EV / Net Sales	1.3	1.1	0.8	0.7
Price to Book Value	2.9	2.5	2.0	1.8
<b>Solvency Ratios (x)</b>				
Debt / EBITDA	0.6	1.7	0.8	0.5
Net Debt / Equity	(0.1)	0.3	(0.1)	(0.1)

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



**Pankaj Pandey**

**Head – Research**

**pankaj.pandey@icicisecurities.com**

**ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com**

## ANALYST CERTIFICATION

I/We, Bhupendra Tiwary, CFA, MBA (Finance), Hammaad Ahmed Ulde, MMS (Finance), Research Analysts Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

### Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Prabodh Avadhoot Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.